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Nation's Restaurant News (ISSN 0028-0518) is published weekly, every Monday except the first Monday in July and the last Monday in December, by Lebhar-Friedman, Inc., 425 Park Ave., New York, N.Y. 10022. Second-class postage paid at New York, N.Y., and additional mailing offices. POSTMASTER: Send change of address to Subscription Department, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

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Vol. 24, No. 25 June 18, 1990

## NEWS BRIEFS

### ConAgra gobbles Beatrice for $1.3 billion

OMAHA, Neb. — In a bid to become the nation's second-biggest food company, ConAgra Inc. is buying Beatrice Co. for $1.34 billion in cash and stock.

The acquisition would make Omaha-based ConAgra second in revenue to only Philip Morris Cos., which owns Kraft General Foods, with sales of $39 billion in 1989. RJR Nabisco, with a volume of about $15.2 billion last year, would be third.

Beatrice, which had revenues of $4.3 billion last year, controls such well-known brand names as Hunt's tomato products, Wesson oil, Orville Redenbacher popcorn and Peter Pan peanut butter.

ConAgra, which grossed about $16 billion last year, already owns Armour meats; Banquet, Healthy Choice and Morton frozen foods; and Chun King and Patio ethnic prepared foods.

The transaction would represent the last piece of Beatrice that investment banker Kohlberg Kravis Roberts acquired in 1986 for $8.2 billion. Since then KKR has divested 10 Beatrice subsidiaries for about $7.7 billion.

But the price, about half of what close observers say KKR had expected, was depressed, they say, because of jitters on the junk-bond market and the October 1987 stock market crash.

KKR was also involved in the $25 billion deal for RJR.

Terms of the ConAgra-Beatrice deal include $626 million in cash, $355 million in ConAgra common stock, $355 million in two series of ConAgra preferred stock and $355 million in ConAgra common stock, making KKR, with an 18-percent stake, ConAgra's biggest single shareholder.

### Gérard Pangaud ends solo flight after 5 months

NEW YORK — Gérard's Place, the 150-seat restaurant owned by chef Gérard Pangaud and restaurateur David Keh, has closed its doors.

The restaurant, which opened five months ago, was Pangaud's first solo endeavor after spending four years as executive chef at Joe Baum's acclaimed restaurant Aurora. Located on the residential Upper East Side, Gérard's Place specialized in home-style, moderately priced French dishes — a departure from the more elegant, pricier menus Pangaud offered at Aurora.

Pangaud was unavailable for comment.

### McDonald's goes to the wall with nutrition notices

OAK BROOK, Ill. — Amid growing criticisms of its food's nutritional content, McDonald's is outfitting its U.S. units with posters detailing the composition of every permanent menu item.

The placard includes a breakdown of the foods' ingredients and nutritional characteristics. Previously, a booklet containing the same information was provided to patrons upon request.

The information will be posted in every domestic unit by July, McDonald's said.

In recent months the chain has drawn charges of serving food containing unhealthful amounts of fat and little nutritional value.

### Hardee's rolls low-fat burger

ROCKY MOUNT, N.C. — Hardee's is rolling out a light hamburger containing an average of just 18 grams of fat, 30 percent less fat than the 3,300-unit chain's other burgers.

Topped with lettuce, tomato, pickle, onion, ketchup and served on a toasted sesame seed bun, the "Lean 1" is the first low-fat hamburger added to the core menu of a national quick-service chain, Hardee's maintained.

The product, which sold well during tests in Peoria, Ill., Charleston, S.C., Montgomery, Ala., and Harrisburg, Pa., will be rolled nationwide on a market-by-market basis. Television and radio spots plus in-store merchandising will help support the rollout.

The new burger is Hardee's latest step to distinguish itself as the hamburger chain with an eye on nutrition.

The first fast feeder to introduce all-vegetable oil for frying, Hardee's in recent years has added such products as a grilled chicken breast sandwich, prepackaged salads and low-calorie mayonnaise for its sandwiches.

"It's a product for the long run," said Hardee's spokesman John Merritt. "We want to get people back on burgers; we want to stop declining burger sales."

### Mass. plans to crack down on child labor

BOSTON — Massachusetts is following the federal government's lead in launching a crackdown on violators of child-labor laws.

Aides to Gov. Michael Dukakis have aired plans to enforce more vigorously state regulations governing when and in what capacity a teenager can work.

In addition, education officials said they would survey school districts to assess the need for a new system of granting work permits to high schoolers.

In March, the U.S. Department of Labor conducted a "sweep" operation to catch businesses violating national child-labor regulations. Enforcement agents found more violators in Massachusetts than they did in any other state.

Nationwide, a large majority of errant employers were restaurants.

### Hyatt disguises room service as Chinese takeout

CHICAGO — In a second attempt to steal sales from delivery specialists by posing as them, several Hyatt Hotels are offering guests in-room meals of Oriental food packaged to look as if it came from a local Chinese restaurant.

"We not only have the little cardboard boxes; we also put the boxes in a brown paper bag and staple a menu to it, just the way you get it from your local Chinese restaurant," said David Zadikoff, Hyatt's senior vice president of food and beverage operations. The meals are delivered to guests' rooms by room-service staffers.

The test program is an extension of Roberto's Pizza, Hyatt's defense against Domino's, Pizza Hut and other pizza deliverers.

After watching guests order those chains' pizzas in lieu of room service, Hyatt's food-and-beverage department began "delivering" its own pies. Although the pizzas were offered through room service, they were sold under the brand name "Roberto's" to make them seem as if they actually came from an Italian place.

### Beer gardens open in Chicago as case goes to court

CHICAGO — Outdoor patios operated by liquor licensees on private property, classified as beer gardens, have opened temporarily pending legal challenges to Chicago's new stringent beer garden licensing law.

Lawyers for Bigsby's Bar & Grill and Las Fuentes have taken the matter to federal court, challenging the law's constitutionality. An estimated 100 other restaurants that operate beer gardens which did not meet the new law's requirements could not open until a Cook County Circuit Court judge intervened after the Memorial Day weekend.

The law, which does not apply to sidewalk cafes on city property, requires beer garden owners to complete an application process that delays getting a license for at least 51 days.

### Roy Rogers rolls chargrilled chicken sandwich

BETHESDA, Md. — Roy Rogers has added a chargrilled chicken sandwich to menus in select markets for a limited time.

The sandwich, which is being promoted in New York, Philadelphia, and Washington, D.C., contains grilled chicken breast, lettuce, mayonnaise, pickle and tomato served on a Kaiser roll. It sells for between $2.79 and $3.25.

Marketing for Roy Rogers, which was acquired by Hardee's Food Systems Inc. earlier this year, continues to be handled separately from Roy's offices here.

FINANCIAL NEWS

# Service America planning to restructure debt after second straight annual loss

by Milford Prewitt

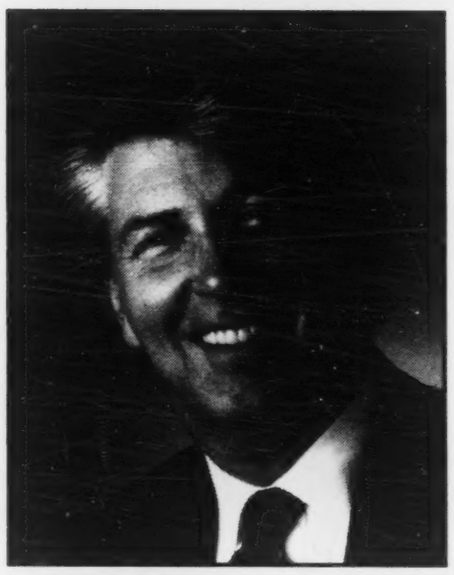
STAMFORD, Conn. — With its failure to post a profit for the second year in a row, Service America has fallen in default on a loan agreement while its major lender devises a plan to restructure its $195 million debt load.

At the same time the contract feeder has informed the Securities and Exchange Commission that as a result of posting no earnings for its fiscal year ended in March — which violates the terms of the loan — the company will submit a restructuring plan within 45 days. Though the plan is still being worked out, company officials said it will include a new bond offering on the company's $127 million subordinated debt.

The developments in Service America's financial condition come two and a half years after management bought the company from Allegheny Beverage in a $500 million leveraged buyout.

The company's financial health and cash flow has been adversely affected by three events, two long-term and one of a non-recurring nature. Those events are the near collapse of the junk bond market and high interest rates on junk bonds; the plant closings and layoffs underway among customers in the automobile and defense industries, where the company has major contracts; and a onetime expense related to the relocation of new executives and severance pay to satisfy contracts of executives who were let go after the LBO.

Steve Leipsner, president and chief executive officer of Service America, stressed that the plan to restructure does not mean that the company has defaulted on the loan.



Steven Leipsner

He said the terms of the company's loan agreements spell out that when Service America failed to post earnings, it defaulted on the provisions of the agreement but not on its ability to pay the loan.

He said the company's cash flow is strong.

Financial analysts speculated that Service America's major creditor — General Electric Capital Corp. — must have some serious concerns given the state of the junk bond market and the current fear of rising interest rates.

"We were in default when we didn't make our numbers," Leipsner said. "This company has gone through this before, and the lenders usually have given waivers. We have gone through a couple of years of waivers.

"But this time they've decided to try to help us to restructure our debt."

Leipsner insisted that the company is financially sound and is nowhere near a bankruptcy action.

"Everybody is restructuring debt these days," Leipsner said, "even Donald Trump, and he's in a lot worse shape than I am."

"We have made every loan payment ever since the company has been in existence, and we have paid our suppliers, employees and debt holders.'

Service America had been obligated to make a $10.8 million interest payment on its $127 million subordinated debt June 15. Leipsner said that with the restructuring going on, GE will decide if the company can still make the payment. In the meantime GE will not allow the company to tender any payments, interest or principal pending negotiations on the debt restructuring plan.

Leipsner said that it was too premature to discuss details of the restructuring other than to note that Merrill Lynch, the company's former bondholder, is working with GE Capital to offer a new subordinated debenture and that it would probably carry an interest rate of about 17 percent.

Service America, which is due to release its annual report in July, will report a loss, Leipsner noted. He declined to release the numbers beforehand.

For the fiscal year ended March 1989, Service America lost $14.4 million on revenues of $1.04 billion.

Despite the expected losses, Leipsner depicted the company's health as sound, noting that it is gaining a host of new clients in non-blue-collar industries.

"This is not really a bad time, and it is not bleak at all," Leipsner said. "It's like sitting down with your own checkbook and saying how am I go-

*(See SERVICE, page 80)*

FOOD PRICE OUTLOOK

# Processed vegetable prices down

by Patt Patterson

Canners and frozen processors have strong carryover inventories of a number of vegetables at the beginning of the new pack. The result: Prices on old pack product are trending downward, particularly in truckload lots. Discounts should work through to distributor levels by the end of the month or early July.

Frozen **broccoli** is in good supply and prices are lower. Canned and frozen **green beans, peas** and whole kernel **corn** are also under list.

Effective canner prices for most California fruits are down, especially on truckload lots. **Cling peaches, fruit cocktail,** and **apricot** prices are all lower than list. Canned **pineapple** allowances from packers and importers have been announced for July.

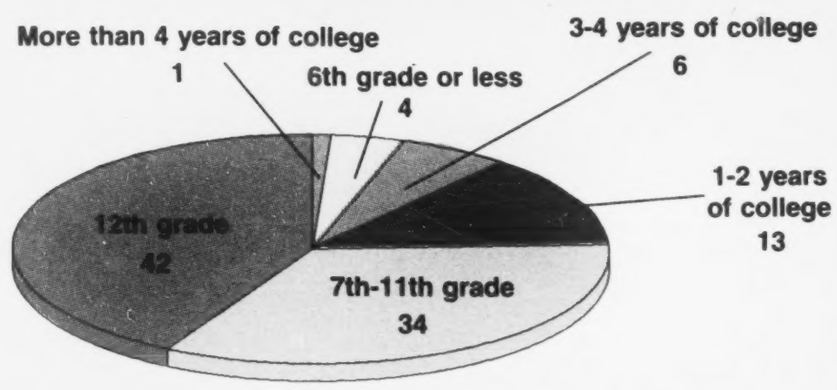
Fresh **potato** prices are drifting down as Idaho planting is completed. Frozen **potato** demand is up, with prices remaining high. Producers' stocks of raw **potatoes** are down nearly 20 percent from last year's figure. Fresh **carrots** from California are up in price. **Strawberry** prices are up following the end of May rains, which curtailed production. California Central Coast **iceberg lettuce** prices are low, with production heavy; some growers are cutting only to order.

Canned **ham** prices continue high. Imports are off normal by about 20 percent. Domestic ham prices are about 45 percent higher than last year's. Frozen **shrimp** prices are expected to move higher this summer on smaller imports. All the major exporting countries are shipping smaller volumes, from the leader China on down. Ultimate prices will depend upon U.S. production in the Gulf of Mexico, still a big question mark.

FACT FILE

**Highest grade completed for individuals in foodservice occupations**

**(in percentages)**




Source: Bureau of the Census, Current Population Survey, March 1988

FINANCIAL DIGEST

## JB's profits gain as sales flatten

SALT LAKE CITY — JB's Restaurants Inc. reported a slim 2-percent rise in second-quarter revenues while net income for the period soared 75 percent.

For the period ended March 12, the 121-unit family-style restaurant operator made $284,000 on sales of $24.5 million. For the 24-week period, sales rose 3 percent, to $48.7 million, with a 32- percent profit gain, to $524,000.

Company officials said the continued weakness in state economies in the Southwest, the closing of two restaurants and a 2-percent decline in comparable-store sales were responsible for the softening in sales. Nevertheless, JB's enjoyed improved operating margins and lower interest expenses, which accounted for the hefty gains in profit.

## Auditor named CFO at Ryan's Steak House

GREER, S.C. — Fred T. Grant, a certified public accountant who joined Ryan's Family Steak House's executive ranks about six months ago, has been named vice president of finance and chief financial officer.

Grant had spent nine years with two Big Eight accounting firms, Deloitte Haskins & Sells and Peat Marwick. In his five years at Marwick, Grant worked on Ryan's audits and a variety of manufacturing and health care clients.

Meanwhile, the company attributed a 20-percent drop in first-quarter net earnings to the spring baseball strike and bad winter weather.

For the period ended April 4, Ryan's sales rose 10.6 percent, to $12.9 million, while net income declined more than $100,000, to $395,100.

## Cattleguard posts $1.8M annual loss

HOUSTON — Cattleguard's losses widened in fiscal 1989 to $2.5 million despite a 153-percent increase in revenues, to $4.7 million, for the year ended Dec. 31.

Cattleguard, which operates 36 Sears Bakery, Deli & Cafes, attributed the losses to increased corporate and administrative costs and lower sales volumes.

## Spaghetti Warehouse income up 64%

GARLAND, Texas — Four new restaurants, increased traffic and lower same-store operating expenses helped the Old Spaghetti Warehouse carve out a 64-percent increase in profit, to $790,200, on a 40-percent revenue gain, to $10 million, for the third quarter.

For the 39 weeks ended March 31, OSW's revenues climbed to $26.6 million, a 30-percent increase over the year-ago level. Net income for the period soared 52 percent, to $1.9 million.

William B. Rea, vice president and chief financial officer, said the company is becoming more adept at managing its labor costs and general overhead expenses.

During the nine-month period, the company opened new restaurants in Syracuse, N.Y.; Rochester, N.Y.; Oklahoma City; and Pittsburgh. In all, OSW operates 15 inexpensively priced Italian restaurants.

## Rally's 3rd-Q net income soars 118%

LOUISVILLE, Ky. — Rally's rode a skyrocket in the third quarter, reporting a 118-percent increase in net income, to $933,947, on a 37- percent revenue gain, to $17.4 million, for the period ended April 1.

During the 39-week accounting period, net income grew 91 percent, to $3.1 million, on a 35-percent increase in sales, to $50.2 million.

The company said the results were particularly satisfying since Rally's experienced a tripling in food costs stemming from the Christmas week cold wave. But the company said it maintained menu prices and did not sustain a slowdown in traffic.

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Vol. 24, No. 26 | Published every Monday by Lebhar-Friedman Inc. $3 per issue | June 25, 1990

NRN Photo

**Harriet Crommelin, owner of Kat & Harri's and the Bistro.**

# Deep Dixie dining: Casual upstarts stir Montgomery

by Jack Hayes

MONTGOMERY, Ala. — While veteran tablecloth operators here weep over slumping patronage at some of the city's traditional restaurants, a handful of upstart newcomers are pushing short menus, sharp prices and strong-fisted chefs — all packaged in casual neighborhood ambience — to keep their dining rooms filled.

Kat & Harri's, Jubilee Seafood and Vintage Year -- operated respectively by a real-estate broker, a sport fisherman and a onetime medical salesman — are even pushing expansion outside their already successful concepts.

"We'll do $1.35 million this year; we're up 25 to 30 percent," says Harriet Crommelin, who has survived losing a partner and three chefs since she opened Kat & Harri's in

*(See CASUAL, page 4)*

# Final showdown looms in family leave feud

## Operators eye partisan fight over mandated worker benefit

by Peter Romeo

WASHINGTON — The foodservice industry is bracing for a last-ditch attempt in Congress to enact legislation that would grant extended furloughs to workers facing extraordinary situations at home.

The bill would require large businesses to provide staffers with as many as 12 weeks of unpaid leave time to care for a newborn infant or an ill family member. The employees would be guaranteed their former jobs or comparable positions upon their return.

President Bush has promised to veto the legislation, which was passed two weeks ago by the Senate after sailing through the House in May.

But, mindful of upcoming elections, congressional leaders are mustering their forces to override the veto. They are striving to draw the White House into a political battle where a presidential victory would make Republicans seem

*(See PARENTAL, page 4)*

### Family leave bill at a glance

**WHAT:** Requires large businesses to grant staffers up to 12 weeks of unpaid leave every year to care for a newborn baby or a seriously ill family member.

**WHO IS AFFECTED:** Any business employing at least 50 persons at a single site.

**WHICH EMPLOYEES WOULD QUALIFY:** Any staffer who worked at least 1,000 hours during the 12 months preceding the furlough. The employee may be required to present a physician's report verifying that the leave is necessitated by a family member's ill health.

**TOTAL COST:** $330 million during the first year the law is in effect, according to the General Accounting Office.

# Service helps operators stave off NY sales slump

by Milford Prewitt

NEW YORK — The restaurant industry may be in a downturn, but a group of high-profile Manhattan restaurateurs and foodservice executives told a gathering of colleagues and analysts that by some measuring sticks, their businesses have never been better.

In both panel discussions and individual presentations, the operators combined personal business philosophies, hands-on anecdotes and peeks into their operating secrets to show how they overcame bad times to enjoy their current prosperity.

They were speaking at Laventhol & Horwath's half-day forum, Restaurants in the 1990s: Strategies for profit and growth. Laventhol & Horwath, accountants and hospitality consultants, resumed the annual seminar after a 10-year hiatus.

*(See OPERATORS, page 65)*

**Zagat: NY restaurant slump exaggerated**

See page 22

# Winchell's repositions for better image

## Company hires new management team, adds items to attract more customers

by Alan Liddle

VANCOUVER, British Columbia — Winchell's Donut Houses, the 617-unit California-based chain sold by Denny's Inc. and partners last year, has reversed its negative cash flow and is being repositioned by a new management team to attract afternoon and evening customers.

Brad Bond, a high-ranking executive with Winchell's parent, Shato Holdings Ltd. of Vancouver, said the alteration calls for the menu to be "significantly expanded" beyond the doughnuts, muffins, brownies and beverages the chain now sells.

"About 70 percent of our sales are [completed] before noon. We have to get the stores more active during afternoon and evening dayparts," Bond, Winchell's chairman, said, explaining why the chain wants to add menu items.

But Robert Galastro, who joined La Mirada, Calif.-based Winchell's as president earlier this year, emphasized that while the menu would grow, "we don't want to get out of our niche."

"It wouldn't make sense to grill hamburgers in the middle of Winchell's," explained Galastro, the former operations vice president of International House of Pancakes. "We may do some sandwiches, but you won't see us doing Sbarro-style pastas."

*(See WINCHELL'S, page 65)*

## INSIDE

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Charles Bernstein/Page 27

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In honor of the Fourth of July holiday, Nation's Restaurant News will not be published next week. The next issue will be July 9.

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Nation's Restaurant News (ISSN 0028-0518) is published weekly, every Monday except the first Monday in July and the last Monday in December, by Lebhar-Friedman, Inc., 425 Park Ave., New York, N.Y. 10022. Second-class postage paid at New York, N.Y., and additional mailing offices. POSTMASTER: Send change of address to Subscription Department, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

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Vol. 24, No. 26 June 25, 1990

## NEWS BRIEFS

### Mecca Leisure to invade California with theme outlets

ORLANDO, Fla. — Mecca Leisure USA, Inc., which operates seven major restaurants and entertainment-dining attractions in central Florida, will clone three of its biggest-grossing theme concepts in Southern California beginning next spring.

Under a new West Coast division called L.A. Entertains, Mecca will open an 800-seat King Henry's Feast near Disneyland in Anaheim, Calif., and an 800-seat Wild Bill's Western Dinner Extravaganza near Knott's — formerly Knott's Berry Farms — in Buena Park, Calif. Both units will begin operating in early 1991.

The third unit, to open at a later date, will occupy a site at or near Universal City in Hollywood, said Mecca Leisure USA president Robert Earl.

A subsidiary of Mecca Leisure Group PLC of London, Mecca Leisure USA also operates Hard Rock Cafes in Dallas; Boston; New York; and Washington, D.C.; at Universal Studios here; and in eight cities outside the United States. It also operates Caruso's Palace and Lombard's Landing here under its Orlando Entertains division.

### Wendy's settles lawsuit over Carl Karcher purchase

DUBLIN, Ohio — Wendy's International Inc. and Carl Karcher Enterprises Inc. have settled a legal dispute stemming from CKE's purchase of 10 Wendy's units from Arizona Wendy's franchisee Ronald Brown.

In the lawsuit Wendy's contended that CKE's purchase of the 10 units from Brown's company, Wendy's of Tucson Inc., constituted an unlawful interference with Wendy's contractual and business relationships with Brown's company and violated the terms of its franchise agreement. CKE targeted the 10 units for conversion into Carl's Jr. restaurants.

In the settlement Wendy's approved the sale of the 10 properties by Wendy's of Tucson to CKE and agreed to dismiss its claims against CKE, Brown and Wendy's of Tucson. As part of the settlement, CKE agreed that no future purchase of franchised Wendy's outlets would occur without prior written consent of Wendy's International.

### New Minnesota law allows 'doggie' bottles of wine

ST. PAUL, Minn. — A new Minnesota law allows restaurant patrons to transport opened, recorked bottles of wine in their cars.

The law is consistent with crackdowns on drunk driving because it encourages people to stop drinking when they feel they've had enough, according to the Minnesota Licensed Beverage Association, which introduced the legislation. The group expects restaurants will sell more bottled wine because of the new law.

To comply with the legislation, people cannot open or drink the wine in a moving vehicle.

### Swiss Grand opens Land of Plenty

CHICAGO — The Swiss Grand Hotel has opened a regional American restaurant in place of the former Le Prince, which closed less than a year after opening.

Called Land of Plenty, the 60-seat fine-dining restaurant accents seasonal products selected from small farms and markets around the country, said Nicolas Daeppen, director of food and beverage. Many ingredients used are raised without pesticides or hormones "to give people the best products we can find," said Stephen Virion, executive chef.

In contrast to the much-publicized opening of Le Prince, largely the creation of famed consulting chef Louis Outhier, Land of Plenty opened quietly, with direct mail the only initial marketing tool. Daeppen forecasts a $40 check average, about half that at Le Prince.

### Kumar assumes control of Larry's

TAMPA, Fla. — Larry's Ice Cream and Yogurt Inc., operator here of the 48-unit Larry's treat chain, has named Roger Kumar Sr. its new chief executive.

Kumar, who currently holds a majority of Larry's stock, was the owner of Ellis Park Racetrack Inc., a Hendersonville, Ky., racetrack that was sold last February.

Following that transaction, Kumar joined Larry's as a director. Until his appointment, the chief executive's slot at Larry's had been vacant.

Kumar's prior foodservice experience includes ownership of a combination family restaurant and catering operation in Tampa.

### Chicago Sizzler licensee closes remaining units

CHICAGO — Losing money and facing an injunction and eviction actions, a Sizzler franchisee with a $25 million breach of contract and bad-faith suit against Sizzler has shut down the remains of his once 21-unit franchise.

Tony Basile — whose two companies constituted the third-largest franchise in the Sizzler system, with FBN Food Services operating nine units in Chicago and Midwest Restaurant Concepts running 12 in the suburbs — said the financial strain of the action forced him to close FBN's city units and lay off more than 350 people.

About a month earlier Midwest had to sell its 12 units back to Sizzler for $3.5 million when bankers activated a clause in a guaranteed loan that allowed the franchisor to assume the restaurants if the franchisee's financial condition became perilous. Basile said the company was not in bad financial shape but asserted that the banks activated the clause when Sizzler threatened not to guarantee the loan and wrote a letter to lenders, falsely accusing the company of near insolvency.

Sizzler executives said it was their responsibility to inform the bank of Basile's financial condition.

### Trouvaille enlists Pangaud as chef to revamp concept

NEW YORK — Gérard Pangaud, former chef and co-owner of the recently closed Gérard's Place here, has signed on as chef of the 70-seat French restaurant Trouvaille.

Pangaud, who closed the 5-month-old Gérard's Place, which he co-owned with David Keh, about three weeks ago, will oversee several key directional changes at Trouvaille.

The restaurant will be renamed La Belle Creole in July and will feature "simpler, French bistro dishes, about half of which will have a New Orleans' Creole accent," according to manager David Richards. Prices will be reduced, with all appetizers listed at $7, entrées at $18 and desserts at $6.

In addition, Yvonne Bell, owner of Lola's here, has been retained as a consultant to help give the restaurant a livelier atmosphere. In the future La Belle Creole is expected to feature a Bourbon Street Blue's Brunch with live music on weekends.

### Inter-Continental cuts 175 staffers, moves to London

MONTVALE, N.J. — Inter-Continental Hotels Corp. will consolidate its corporate administration at new headquarters in London, laying off 175 corporate staffers and closing its offices here.

Meanwhile, the company has named John Van Praag chief executive, replacing John Calvert, who has chosen to remain in North America and is expected to serve as a senior adviser to the chairman of Saison Overseas B.V., which owns Inter-Continental. Saison Overseas is owned by Saison Group of Japan and SAS International Hotels.

Inter-Continental said that the move from Montvale, N.J., is part of a restructuring program that will result in the formation of two operating divisions — the Inter-Continental and the Forum Hotel chains. The company is targeting growth in the European Economic Community and Eastern Europe.

The personnel cutbacks, which are expected to save more than $20 million annually, will come mostly from internal services, the company said.

FINANCIAL NEWS

# Acquisitions, joint ventures breathe new life into hotels

by Milford Prewitt

NEWS ANALYSIS

Like Mark Twain, whose death was prematurely exaggerated, the American hotel industry, while not in the strongest shape, is at least breathing, as evidenced by a sudden wave of acquisitions, joint ventures, increased foreign investment and somewhat improved profits.

The persistently pessimistic investment reports and gloomy marketing trend studies that have depicted the hotel industry in a paralytic state have missed the capital restructuring that is changing the shape and ownership positions in the segment.

Several major hotel concerns are involved in various stages of acquisition or divestment, and another two have teamed up with overseas investors — primarily from Hong Kong — to pump new capital into the companies.

Moreover, for an industry widely reported to be on its death bed, some recent earnings statements show that some hotel companies are enjoying a healthy return on investment and, most important, are gaining higher occupancy rates.

Among those reflecting both a change in ownership and reporting profits at the same time is the new hotel company, Promus Cos., which was spun off from the Holiday Corp. to shareholders in a $1 billion deal in February.

Promus Cos. (pronounced promise) owns and operates Holiday Corp.'s former hotel brands, Harrah's casino and hotels, Embassy Suites, Hampton Inn and Homewood Suites.

Led by its Las Vegas, Nev., gaming operations, the new company reported first-quarter net income of $17.6 million on a 7- percent rise in revenues, to $233.8 million, for the period ended March 30.

"This first quarter for our new company gets us off to an excellent start," said Michael D. Rose, chairman, president and chief executive officer of Promus. "We were able to complete the reorganization of Holiday Corp. and pay the special dividend, achieve record operating income and continue to build and expand our business for future growth."

Despite industry reports of overcapacity, Promus intends to keep expanding its operations. The company said 54 hotels, currently under construction, would be added to the 322 it already operates.

The Hilton Hotels Corp., also mindful of the industry's oversupply, is similarly looking to expand through acquisition and room additions to existing buildings. But Hilton is putting the premium on cautious growth.

Less than a year ago, the Hilton had been put up for sale, but the offer, after several months of negotiations with foreign and domestic bidders, was scrapped when bids failed to meet management's expectations of the company's worth.

"The hotel industry is overbuilt," Barry Hilton, chairman and president of the Hilton Hotels Corp. told a recent gathering of Wall Street analysts. "But in adversity there is opportunity.

"We will be alert to opportunities to make timely acquisitions at attractive prices. In this way we can grow without adding more capacity to the market."

Already the company has started construction on a 733-room addition to the Flamingo Hilton in Las Vegas. When finished, the facility will have 3,558 guest rooms. In August, the Hilton will open a 2,000-room hotel in Laughlin, Nev.,

*(See **HOTELS**, page 58)*

**Major repositionings in the hotel industry**

| Company | Transaction | Status |
|---|---|---|
| New World Hotels Ltd, Hong Kong | Has sold 17 Ramanda Inns for $183 million | Finished |
| Prime Motor Inns Inc. Fairfield, N.J. | Sold 100 percent interest in Ramada and Howard Johnson franchise rights to Blackstone Capital Partners L.P. for $170 million | Finished |
| The Four Seasons Hotel, Toronto | Wants to sell some or all of its assets | Looking for bids |
| La Quinta Motor Inns, San Antonio, Texas | Establishing $150 million fund with Hong Kong investor for the purpose of buying distressed hotels | Nearly finished |
| Embassy Suites, Memphis, Tenn. | Sold 90 percent stake in La Jolla Limited Partnership, a 335-room Embassy property in La Jolla, Calif. to overseas investors for $57.9 million. | Finished |

**Marital status of individuals in foodservice occupations**
(In percentages)

Source: Bureau of the Census, Current Population Survey, March 1988

FINANCIAL DIGEST

## Uno net income gains 19% in 2nd Q

BOSTON — Uno Restaurant Corp., operators of the Pizzeria Uno restaurant chain, reported a 19-percent increase in net income, to $773,000, on a 36-percent boost in revenues, to $13 million, for the second quarter, ended April 1.

The company attributed an aggressive expansion drive, particularly in the New York metropolitan area, for a 31-percent jump in revenues during the six months, to $24.7 million, which resulted in a 26-percent increase in net income, to $1.6 million.

"We are in the midst of an extremely aggressive expansion schedule that has resulted in 21 new restaurants opened in the last 12 months, with some 20 to 25 scheduled openings during the next 12 months," said Aaron Spencer, chairman and chief executive officer, in a statement.

The company has a $10 million private-debt placement with Cigna insurance company to finance its expansion.

Preopening expenses drove margins down, though the higher sales levels from the new units helped reduce general and administrative expenses as a percent of sales.

During the quarter sales at company-owned units increased 3.5 percent. The company operates 27 of 71 restaurants.

## Skolniks' earnings rise 50% in 3rd Q

LOUISVILLE, Ky. — Increased franchise fees and higher profitability from company operations helped Skolniks' earnings rise 50 percent, to $85,799, on a 16-percent gain in revenues, to $2.9 million, for the third quarter, ended April 29.

During the nine-month period, earnings climbed 311 percent, to $436,102, on a 31-percent revenue increase, to $9.6 million. In addition to higher franchise fees and profitability, Joe R. Love, chairman, said the company's general and administrative expenses had decreased.

Skolniks operates 40 bakery and bagel restaurants in 10 states, primarily in the Northeast and Midwest.

## Mecca Leisure rejects suitor's takeover bid

LONDON — Mecca Leisure, a restaurant and hospitality company, which lists the Hard Rock Cafe among its diversified portfolio, has rejected a takeover bid by the Rank Organization, a London-based communications and entertainment conglomerate.

Rank had offered 512 million pounds, about $819 million at recent rates, for Mecca Leisure, but the quarry rejected the bid.

Mecca Leisure, also based in London, is the parent company of Mecca Leisure USA, formerly known as Pleasurama USA, the Orlando, Fla.-based operators of 11 Hard Rock Cafes and scores of theme parks, specialty restaurants and nightclubs throughout the United States.

In a 15-month reporting period ended December, Mecca Leisure reported a 160-percent increase in profit, to 91 million pounds or $145.6 million, on a 119-percent increase in sales, to 568 million pounds or $908 million.

## ShowBiz stock price hits 52-week high

DALLAS — The stock price for ShowBiz Pizza Time Inc. hit a new 52-week high, rising to $28.25 in recent trading.

The surge began during the week of June 11 during heavy trading. Since going public in January 1989 with an initial offering of $5.25 a share, ShowBiz Pizza Time has had an uninterrupted streak in earnings and share appreciation. For the first quarter, ended March 30, it reported a 90-percent gain in net income, to $4.8 million, on a 7-percent rise in revenues, to $47.4 million.

FOOD PRICE OUTLOOK

# Meat prices to remain high

by Patt Patterson

Although production is estimated to be a bit larger this year than last, increased demand will keep prices up, according to U.S. Department of Agriculture economists. The increased demand has reduced inventories of frozen beef to about 20 percent from last year at this time, and prices reflect the drop.

Pork production is down and is expected to stay down for most of the year. The U.S.D.A. is forecasting prices to be 9 percent to 13 percent higher in the fall than they were last year. However, in the past, when pork prices moved up that much, farmers started farrowing herds again, and if that happens this year, prices will start dropping in the last quarter.

One cloud on the horizon is the supply of corn and soybeans. Rainy weather in late May and early June curtailed planting in the major Iowa, Nebraska, Illinois and Missouri areas. At presstime it was too early to determine if farmers would be able to get all the acreage in that they had planned. A tight feed supply could cut production and kick up prices for both beef and port.

Lamb production has continued to grow over the past several years, and this year is no exception, with the first quarter showing a 6-percent rise. Demand has not risen quite as quickly, with inventories built up to more than 25 percent greater than last year's.

Imported ham prices keep moving up. Polish hams have almost stopped coming in, although that country in May announced a rise of 10 cents a pound. Yugoslavian hams also are in short supply, and Hungarian are not much better.

The U.S.D.A. forecasts more milk this year, which means cheese makers may be able to increase output. Especially tight, with higher pricing, are Italian-style cheeses and Cheddar.